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## Office of the Secretary of State

### Management Report on Internal Control

Issued: March 16, 2005  
Fiscal Year: 2002, 2003, and 2004



## EXECUTIVE SUMMARY LEGISLATIVE AUDITS

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### OFFICE OF THE SECRETARY OF STATE IDAHO CODE COMMISSION COMMISSION ON UNIFORM LAWS

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**PURPOSE AND SCOPE.** In planning and making our audit of the statewide basic financial statements, we performed certain audit procedures to evaluate the effectiveness of the Office of the Secretary of State's internal control design and operation. This evaluation included the Idaho Code Commission and the Commission on Uniform Laws. Consequently, the limited scope of our procedures does not allow us to give an opinion on the Office's internal control system. Accordingly, we do not express an opinion or ensure that all instances of internal control weaknesses were disclosed.

Our purpose was to indicate where internal controls could be strengthened to help ensure accurate financial statements and data. This evaluation, together with other evaluations and various audit procedures applied at other agencies, allows us to express an opinion on the statewide basic financial statements prepared by the State Controller's Office.

**CONCLUSION.** We noted no matters involving the internal control over the Office's financial reporting or its operation that we considered to be material weaknesses. However, our consideration of internal controls would not necessarily disclose all matters considered to be a material weakness.

**FINDINGS AND RECOMMENDATIONS.** There are no new findings and recommendations included in this report.

**PRIOR FINDINGS AND RECOMMENDATIONS.** There was one finding and recommendation in the prior report for fiscal year 2001. This finding is considered closed.

**PRIOR FINDING #1 –** The Idaho Code Commission's Miscellaneous Revenue Fund balance was excessive and continued to grow by an average of \$180,000 each year. The Idaho Code Commission receives fees, in accordance with Idaho Code, Section 73-213, from a \$10 filing fee assessed on each civil action filed in district or magistrate court and a \$10 fee assessed to each party appearing in these civil actions except the plaintiff. The money is used primarily to pay costs associated with publishing volumes of the Idaho Code. The fund balance at June 30, 2001 was \$1,764,300, while the total expenses for fiscal year 2001 were \$408,600. The fund balance had continued to increase over the past several years by an average of \$180,000 each year.

**We recommended** that the Idaho Code Commission reduce the fund balance to a reasonable level by considering options such as amending the Idaho Code to:

1. Reduce the \$10 filing fee charged for each civil action.
2. Make a one-time transfer of a large portion of the cash balance to the General Fund.
3. Transfer to the General Fund the amount that exceeds a certain balance at each fiscal year end.

The 2002 legislature amended Idaho Code to direct that at the beginning of each fiscal year any money in the Idaho Code Miscellaneous Revenue Fund (excluding a transfer by appropriation) that exceeds the prior year's expenditures by 25% or more shall be transferred to the State General Fund. Status: **CLOSED**.

**AGENCY RESPONSE.** The Idaho Secretary of State has reviewed the report and concurs with its content.

**FINANCIAL SUMMARY.** Although an opinion is not given on the financial data presented in this report, one is given on all State funds in the statewide *Comprehensive Annual Financial Report* that includes the financial data presented here.

The Secretary of State receives a General Fund appropriation to perform all constitutional and statutory functions of the office, including: (1) registering the official acts of the legislature and Governor; (2) administering and certifying elections; (3) maintaining a registry of tort claims, extraditions, deeds, official oaths, and gubernatorial appointments; (4) administering the Sunshine Law; (5) maintaining and operating the centralized Uniform Commercial Code as it relates to State, commercial, and farm product filings; (6) filing various types of business entities in the Commercial Division; and (7) processing applications for notaries, trademarks, and servicemarks.

The federal fund consists mainly of money from the U.S. Department of Justice in order for the Secretary of State to implement the federal Help America Vote Act of 2002. These funds allow the Office to deal with election reform and to improve election systems and procedures. These funds have been continually appropriated to the Office to carry out the activity of the act.

The Idaho Code Commission, in accordance with Idaho Code, Section 73-213, receives a \$10 filing fee assessed on each civil action filed in district or magistrate court and a \$10 fee assessed on each party appearing in these civil actions, except the plaintiff. Disbursements are primarily for costs associated with publishing volumes of the Idaho Code.

The Commission on Uniform Laws receives a small General Fund appropriation each year. The appropriation is used for operating expenditures, primarily membership fees and travel.

The schedules below summarize the financial activity for the Office of the Secretary of State, the Idaho Code Commission, and the Commission on Uniform Laws.

**COMBINED FINANCIAL STATEMENTS FOR THE OFFICE OF THE SECRETARY OF STATE**

**SECRETARY OF STATE (Agency 130)**

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
GENERAL FUND 0001			
Appropriations	<u>\$2,356,507.00</u>	<u>\$2,216,800.00</u>	<u>\$1,954,900.00</u>
Total Funds Available	<u>\$2,356,507.00</u>	<u>\$2,216,800.00</u>	<u>\$1,954,900.00</u>
Personnel Costs	1,492,442.08	1,471,803.03	1,477,134.72
Operating Costs	421,640.55	389,476.85	408,582.63
Capital Outlay	<u>71,015.00</u>	<u>11,789.31</u>	<u>41,829.28</u>
Total Disbursements	<u>\$1,985,097.63</u>	<u>\$1,873,069.19</u>	<u>\$1,927,546.63</u>
Encumbrances	<u>0.00</u>	<u>0.00</u>	<u>5,852.10</u>
Ending/Reverting Appropriation Balance	<u><u>\$371,409.37</u></u>	<u><u>\$343,730.81</u></u>	<u><u>\$21,501.27</u></u>
FEDERAL FUND 348 (Democracy Fund)			
Beginning Cash Balance	\$0.00	\$0.00	\$361,730.21
Beginning Investment Balance	0.00	0.00	5,001,977.82
Receipts	0.00	5,029,966.66	12,094,045.81
Transfers In*	<u>0.00</u>	<u>347,466.23</u>	<u>167,000.00</u>
Total Funds Available	<u>\$0.00</u>	<u>\$5,377,432.89</u>	<u>\$17,624,753.84</u>
Disbursements	<u>0.00</u>	<u>13,724.86</u>	<u>576,823.08</u>
Ending Cash Balance	\$0.00	\$361,730.21	\$11,959,929.60
Ending Investment Balance	<u>0.00</u>	<u>5,001,977.82</u>	<u>5,088,001.16</u>
Ending Cash and Investment Balance	<u><u>\$0.00</u></u>	<u><u>\$5,363,708.03</u></u>	<u><u>\$17,047,930.76</u></u>

The Secretary of State receives money for corporate licenses, notaries, trademarks, and uniform Commercial Code filings. These funds are deposited directly into the State General Fund. In fiscal years 2002, 2003, and 2004 these amounted to \$2,031,811, \$2,143,525, and \$2,394,903, respectively.

**COMMISSION ON UNIFORM LAWS (Agency 131)**

GENERAL FUND 0001			
Appropriation	\$28,176.76	\$25,800.00	\$28,800.00
Disbursements	<u>19,821.59</u>	<u>22,064.58</u>	<u>23,470.30</u>
Ending/Reverting Appropriation Balance	<u><u>\$8,355.17</u></u>	<u><u>\$3,735.42</u></u>	<u><u>\$5,329.70</u></u>

**IDAHO CODE COMMISSION (Agency 133)**

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
MISCELLANEOUS REVENUE FUND 034)			
Beginning Cash Balance	\$1,764,283.61	\$673,682.77	\$773,076.05
Receipts	<u>624,355.00</u>	<u>660,295.00</u>	<u>657,355.00</u>
Total Funds Available	\$2,388,638.61	\$1,333,977.77	\$1,430,431.05
Disbursements	414,955.84	405,913.75	449,613.40
Transfers Out**	<u>1,300,000.00</u>	<u>154,987.97</u>	<u>0.00</u>
Ending Cash Balance	<u><u>\$673,682.77</u></u>	<u><u>\$773,076.05</u></u>	<u><u>\$980,817.65</u></u>

\*"Transfers In" to the Democracy Fund from the State General Fund were authorized by Senate Bill 1156 in fiscal year 2003 and House Bill 460 in fiscal year 2004. This money is to be used as State match for the Help America Vote Act of 2002 grant.

\*\*According to I.C. § 73-215, at the start of each fiscal year (beginning with fiscal year 2002) money in the Idaho Code Fund (excluding a transfer by appropriation) exceeding the prior year's expenditures by 25% or more shall be transferred to the General Fund. The transfers for the fiscal years 2003 and 2004 balances were completed in December 2004.

**OTHER ISSUES.** We discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Office of the Secretary of State and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given us by the Secretary of State, Ben Ysursa, and his staff.

**QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:**

Ray Ineck, CGFM, Supervisor, Legislative Audits

Eugene Sparks, CPA, CGFM, Managing Auditor

Report IC13004

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.
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